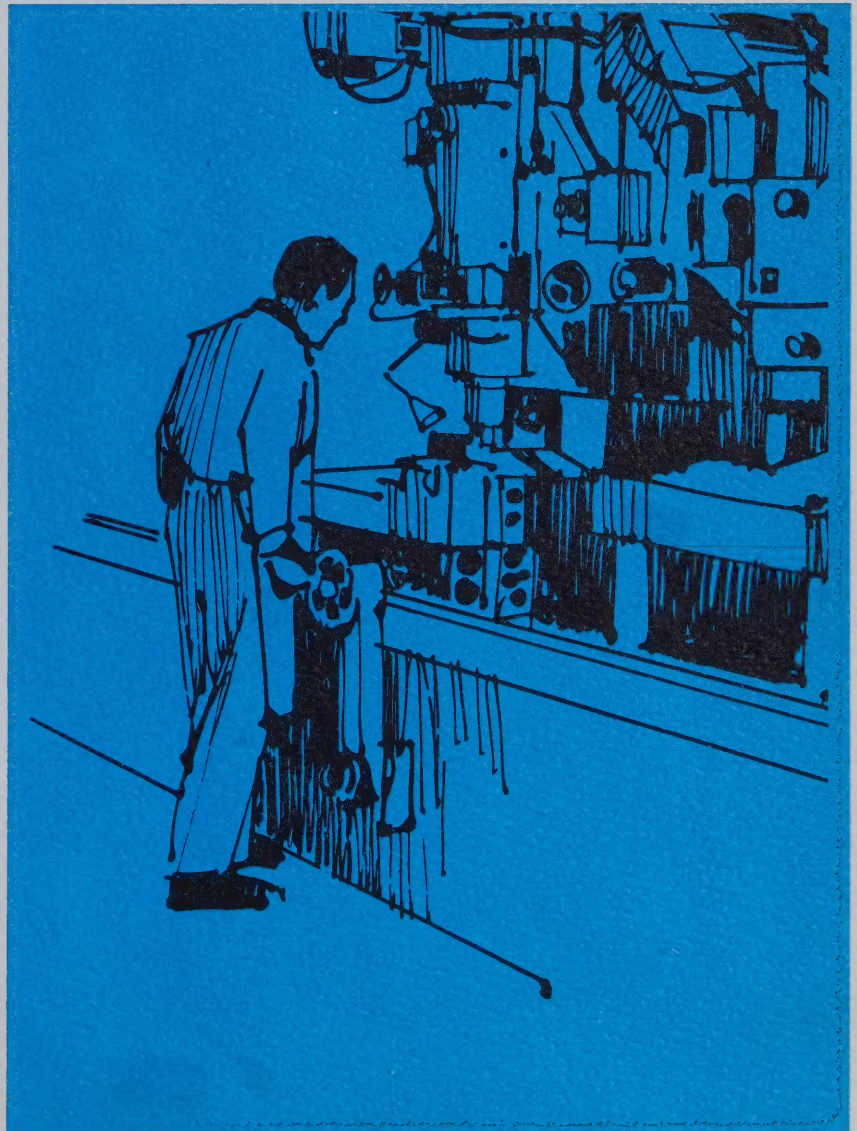


# I.T.L. INDUSTRIES LIMITED



ANNUAL REPORT

FOR THE YEAR ENDED NOVEMBER 30, 1966





## HIGHLIGHTS

	<u>1966</u>	<u>1965</u>
Profit before taxes . . . . .	\$1,040,036	\$1,027,885
Income tax . . . . .	359,144	360,962
Net profit, after taxes . . . . .	680,892	666,923
Net profit per share, after payment of preferred dividends . . . . .	1.36	1.33
Preferred dividends paid . . . . .	80,657	81,250
Common dividends paid . . . . .	220,000	187,000
Earned surplus . . . . .	833,741	771,635





## REPORT TO THE SHAREHOLDERS:

Operations for the year ended November 30, 1966, resulted in a net profit, after provision for taxes, of \$680,892 which represents earnings of \$1.36 per common share after payment of preferred dividends. These figures compare with the prior year's earnings of \$666,923 and \$1.33 respectively. Earned surplus was affected by the writing off of \$307,123 with respect to the discontinuance of operations at Hamilton Automotive Trim Limited, in which I. T. L. Industries Limited held controlling interest. For the purposes of comparison, the accounts of this subsidiary have been eliminated from the comparative figures for 1965.

### Dividends:

A total of \$220,000 was paid out in common share dividends, at the increased quarterly rate of 12½ cents per common share, being the equivalent of 50 cents per share per annum.

In accordance with the conditions attached to the Preference Shares, Series A, \$25,000 was set aside for the purchase of Preference Shares for cancellation. As at November 30, 1966, 1,000 such shares had been purchased for this purpose. During the year, payments of preferred share dividends amounted to \$80,657.

### Operations:

#### *Hamilton Automotive Trim Limited:*

We had acquired control of this company during 1965 in order to expand our operations and compete in the wider auto-pact market for automotive trimming supplies. However, it subsequently became apparent that our plans would not come to fruition, and rather than assume additional losses through the continued operation of Hamilton Automotive Trim Limited, we took steps to terminate the company's operations. The advances and investment were charged to earned surplus, and the sub-

sequent sale of the building and equipment (owned by I. T. L. Industries and leased to Hamilton Automotive Trim) will be taken into account during the 1967 fiscal period.

#### *Reflex Corporation of Canada:*

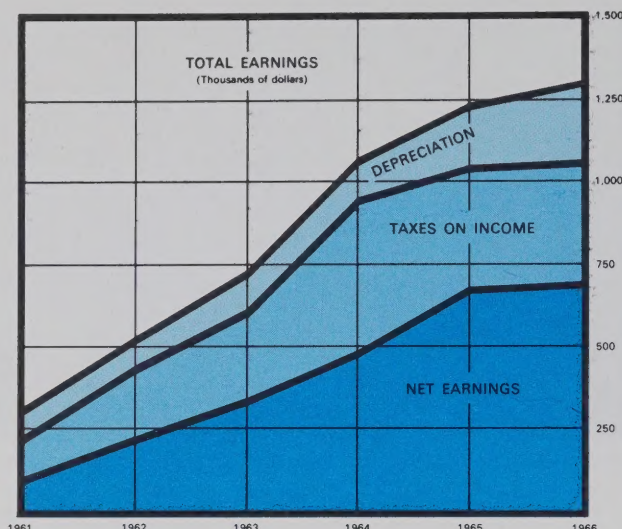
Our Reflex Division has moved its production operations to our newly-built plant in Amherstburg, Ontario. This new plant, containing 23,000 square feet of production space, and situated on 8.7 acres, was essential to accommodate the greatly increased volume of business being handled by Reflex. In its first year of operation, specializing in the production of plastic items produced by the injection moulding method, Reflex has shown remarkable progress and growth potential.

Among its production items is the Palm-N-Turn safety cap and vial for prescription pharmaceutical products. The Palm-N-Turn, developed and tooled at International Tools Limited, has received wide acceptance in Canada and the United States among pharmacists, medical men, poison control officers and parents who realize the dangers of accidental poisoning when prescription drugs are accessible to small children.

When equipment presently on order is fully installed in the new plant, Reflex will have a production capacity of 240 thousand Palm-N-Turn units per day on high speed, fully-automated machinery. Arrangements have been made for the production and distribution of the Palm-N-Turn from other locations in Canada and the United States. More than two million units have been shipped to various locations in the U.S.A.

As an indication of the degree of acceptance this child-resistant unit has enjoyed in Canada, the Essex County Medical Association passed a resolution at its recent Annual Meeting, requesting "that tablet and capsule prescriptions for patients of all ages be dispensed in child-resistant containers."





We are also heavily engaged in the production of plastic components for safety arm rests for the automotive industry. These arm rests are designed to collapse on impact and are being shipped from Reflex to automotive fabricators in both Canada and the United States.

Reflex utilizes moulds made principally by International Tools, Limited to produce reflective lenses for automobile tail lights. These lenses constitute a major and growing portion of Reflex's total production.

#### *International Tools (U.K.) Limited:*

Our operations in Great Britain are expanding rapidly. Production and performance standards set by this company have resulted in greatly increased business from the domestic market in Britain. We have a strong management team directing our U.K. operations and have recently appointed John Denton, who has an extensive background of experience in our industry, to the post of Managing Director of our U.K. operations. We are also pleased to announce the election of Albert Rayner to the Board of Directors of International Tools (U.K.) Limited.

#### *International Tools, Limited:*

International Tools enjoyed a very successful year, both from the standpoint of sales and of operating efficiency. Our main plant in Windsor operated almost at capacity throughout the year, and we are now planning to utilize the building that formerly housed Reflex Corporation to provide additional space for International Tools.

New equipment installed during the year was put into immediate service.

#### **Research and Development:**

When our last Annual Report was published, the Research and Development staff were working on

the prototype of the Palm-N-Turn, and their efforts have now resulted in the creation of a major production item that is destined to contribute to the company's future earnings. At the present time, we are researching the possibilities of additional applications for the Palm-N-Turn principle. We hope to develop similar containers for other household and industrial products to minimize the hazards of accidental ingestion.

Because of the intensified research in the automotive industry for a variety of safety components, we are applying our creative talents along these lines. The requirement for automobile side-markers of a reflective material similar to tail lights, for instance, has resulted in the development of an I. T. L. prototype which we believe will be entirely acceptable to the industry.

#### **Working Capital:**

Working capital was increased by \$241,748 as at November 30, 1966. During the year, we issued 6½% Secured Sinking Fund Debentures, Series B, in the principal amount of \$600,000. Subsequent to the year end, we have negotiated the issuance of \$1,250,000 new debentures, the proceeds of which will be mainly utilized to reduce bank indebtedness.

#### **Outlook:**

I. T. L. Industries is engaged in at least two vital industries in our rapidly-changing technological age: toolmaking and plastics. Both are on the threshold of dynamic growth. The development of more and more synthetic materials calls for greater demands on the Tooling Industry to devise the moulds from which the majority of plastic items are formed. I. T. L. will enjoy "the best of both worlds", through our ability to make tools, moulds and dies, and through our facilities for the production of injection moulded plastic products.

As Canada enters her second century, our confidence in the future of I. T. L. Industries is soundly-based upon our past record, our future plans and the general economic forecasts for our own country and for the specific industries in which we operate. But more than any of these, our confidence projects from the abilities and ambitions of all members of our staff, individually and as a team, to whom we express our sincere appreciation for their efforts on behalf of I. T. L. We are also grateful to our associates and shareholders for their loyalty and support.

On behalf of the Board of Directors,

April 7, 1967

PETER HEDGEWICK  
President



## TOOLMAKING AND PLASTICS

Tools have been used since the earliest periods of history although the era of mechanization did not begin until the seventeenth century. Since that time, toolmaking has become a skilled craft and a noble art.

Today, some of the finest tool and mould makers in the country are employed by International Tools, Limited on the production of *injection moulds* for the plastic industry.

The plastics industry is as young as Canada. In 1867, the year of Confederation, the first plastic material known as celluloid, was being developed for use in denture plates, wipe-clean collars, cuffs and shirt fronts, and as the window curtains on the early automobiles. Plastics took its next major step in 1909, when Dr. Leo Henrick Baekeland produced a plastic whose name was coined from his own — Bakelite. Cellulose acetate was the next large volume plastic to be developed commercially. Launched in 1927, it was available only in sheets, rods and tubes until 1929 when it appeared as a moulding material, and became the first *injection moulded* plastic.

Today, a wide variety of synthetic materials with seemingly limitless uses depend on the mouldmaker to give them form and function.

Canada celebrates its Centennial Year in the midst of the technological revolution of the Twentieth Century. The plastics industry has been in the vanguard of this progress and has an important role to play in our future technological advancement. A study in the United States, sponsored by the Ford Foundation, has predicted that plastics will grow from their present 12 billion pound annual level to a 1980-level of between 15 and 40 billion pounds, and to a level in the year 2000 of 60 to 100 billion pounds. If these predictions come true, plastics will have continued to grow over the next 30 years two to three times faster than the predicted growth rate of the gross national product.

I. T. L. is a major producer of reinforced steel moulds to serve the plastics industry. Among the items produced from I. T. L. moulds are:

### Automotive Parts and Accessories

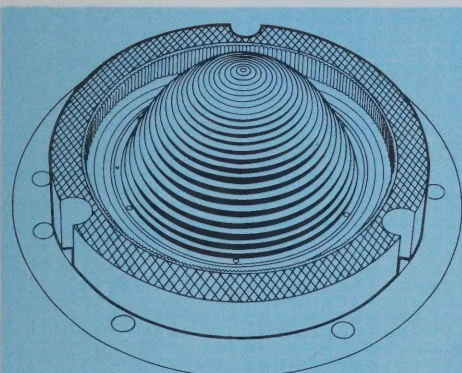
cowl panels—dash boards—safety arm rests—tail lights—reflective lenses—reflective side markers

### Household Items

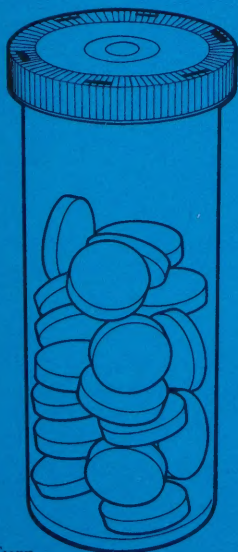
toys—carrying cases—driveway markers—pharmaceutical safety containers—television cabinets

### Miscellaneous

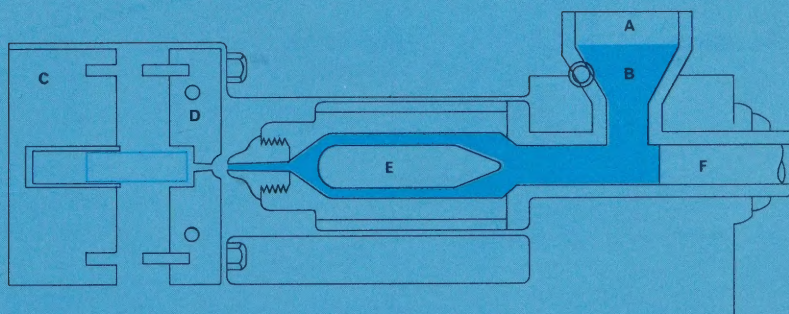
highway markers—marine buoys—overhead street light lamps



Stainless Steel Moulded Core  
for automobile reflective  
tail light lenses.



Palm-N-Turn  
Safety Container  
—cap and vial



The principal of Injection Moulding

- A—hopper
- B—moulding powder
- C—Palm-N-Turn Vial mould (cavity)
- D—Palm-N-Turn Vial mould (core)
- E—Torpedo
- F—Plunger



# I.T.L. INDUSTRIES LIMITED and its subsidiaries

## ASSETS

	1966	1965
Current:		
Cash.....	\$ 11,020	\$ 68,715
Accounts receivable.....	1,473,404	1,691,890
Inventories of materials and work in process (Note 2).....	1,210,535	718,637
Prepaid expenses.....	27,778	15,805
Total Current Assets.....	<u>\$2,722,737</u>	<u>\$2,495,047</u>
Mortgage receivable—6%.....	\$ 2,900	\$ 4,473
Federal refundable tax.....	\$ 22,933	\$ —
Investment in and advances to associated companies, at cost.....	<u>\$ 25,000</u>	<u>\$ 160,347</u>
Fixed:		
Lands, buildings, machinery, equipment and leasehold improvements (Note 3).....	\$3,895,437	\$3,267,241
Less: Accumulated depreciation.....	938,690	720,218
	<u>\$2,956,747</u>	<u>\$2,547,023</u>
Other:		
Organization expense.....	\$ 11,535	\$ 10,906
Expenses of debenture issues, less amount written off.....	42,326	37,040
Expenses of share issue.....	106,434	106,434
Patents, at cost.....	12,207	—
	<u>\$ 172,502</u>	<u>\$ 154,380</u>
Excess of cost of shares of subsidiaries over net book value of assets acquired.....	<u>\$ 126,170</u>	<u>\$ 126,170</u>
Approved on behalf of the Board:		
PETER HEDGEWICK, Director		
C. A. BELL, Director	<u>\$6,028,989</u>	<u>\$5,487,440</u>

## AUDITOR'S REPORT

To the Shareholders, I.T.L. Industries Limited.

We have examined the consolidated balance sheet of I. T. L. Industries Limited, as at March 7, 1967, and the consolidated profit and loss, earned surplus, contributed surplus and changes in working capital for the year ended on that date, in accordance with generally accepted accounting principles as set forth in Note 1 regarding Hamilton Automotive Trim Limited, which changes have been applied consistently.

In our opinion, the accompanying consolidated balance sheet and consolidated profit and loss, with the notes thereto, present fairly the financial position of I. T. L. Industries Limited as at March 7, 1967, and the consolidated profit and loss, earned surplus, contributed surplus and changes in working capital for the year ended on that date, in accordance with generally accepted accounting principles as set forth in Note 1 regarding Hamilton Automotive Trim Limited, which changes have been applied consistently.

Windsor, Ontario  
March 7, 1967



# CONSOLIDATED BALANCE SHEET as at NOVEMBER 30, 1966

(with comparative figures for 1965)

## LIABILITIES

	1966	1965
Current:		
Bank loans and overdrafts, secured (Note 5).....	\$ 626,864	\$ 732,604
Accounts payable and accrued liabilities.....	584,982	461,999
Current portion of long term liabilities.....	84,500	54,336
Income taxes (Note 4).....	96,459	157,924
Total Current Liabilities.....	\$1,392,805	\$1,406,863
Long term:		
Debentures and mortgage payable (Note 6).....	\$1,668,942	\$1,123,278
Less: Current portion.....	84,500	54,336
	\$1,584,442	\$1,068,942
Capital Stock:		
Authorized—		
200,000 Preference Shares with a par value of \$25. each, issuable in series		
1,000,000 Common Shares without par value		
Issued and fully paid—		
49,000 6½% Cumulative Redeemable Preference Shares, Series A, redeemable at par (Note 7).....	\$1,225,000	\$1,250,000
440,000 Common Shares.....	990,000	990,000
	\$2,215,000	\$2,240,000
Earned Surplus.....	833,741	771,635
Contributed Surplus.....	3,001	—
	\$3,051,742	\$3,011,635
	\$6,028,989	\$5,487,440

## REPORT

ed and its subsidiaries as at November 30, 1966 and the consolidated statements of for the year ended on that date. Our examination included a general review of the evidence as we considered necessary in the circumstances.

statements of profit and loss, earned surplus, contributed surplus and changes in companies as at November 30, 1966 and the results of their operations for the year applied on a basis consistent with that of the preceding year, except the change as approve.

STEPHENS, McLEAN & Co.,  
Chartered Accountants.



# I.T.L. INDUSTRIES LIMITED

## CONSOLIDATED STATEMENT OF PROFIT AND LOSS

For the year ended November 30, 1966

(with comparative figures for 1965)

	1966	1965
Sales.....	\$6,316,411	\$5,760,487
Cost of sales including selling, general and administrative expenses.....	4,878,215	4,448,869
Profit before the following deductions.....	\$1,438,196	\$1,311,618
Depreciation.....	\$ 238,538	\$ 189,060
Amortization of expenses of debentures issue.....	2,444	2,058
Interest on long term liabilities.....	105,303	65,674
Interest on current liabilities.....	41,375	16,441
Directors' fees and expenses.....	10,500	10,500
	\$ 398,160	\$ 283,733
Profit before income taxes.....	\$1,040,036	\$1,027,885
Income taxes (Note 4).....	359,144	360,962
Net Profit.....	\$ 680,892	\$ 666,923

## CONSOLIDATED STATEMENT OF EARNED SURPLUS

For the year ended November 30, 1966

(With comparative figures for 1965)

Balance, at beginning of year.....	\$ 771,635	\$ 372,962
Less: Deficit of subsidiary acquired in year (Note 1).....	\$ 11,006	\$ —
Loss on advances to and investment in Hamilton Automotive Trim Limited.....	307,123	—
	\$ 318,129	\$ —
	\$ 453,506	\$ 372,962
Add: Net profit for the year.....	680,892	666,923
	\$1,134,398	\$1,039,885
Less: Dividends paid—preference..... \$ 80,657		
—common..... 220,000	300,657	268,250
Balance, at end of year.....	\$ 833,741	\$ 771,635

## CONSOLIDATED STATEMENT OF CONTRIBUTED SURPLUS

For the year ended November 30, 1966

Surplus realized on the purchase of preference shares for cancellation.....	\$ 3,001	
Balance, at end of year.....	\$ 3,001	nil



## AND ITS SUBSIDIARIES

### CONSOLIDATED STATEMENT OF CHANGES IN WORKING CAPITAL

For the year ended November 30, 1966

Working Capital was increased by:

Operations—Net profit for the year .....	\$ 680,892	
Depreciation .....	238,538	
Amortization of expenses of debenture issues .....	2,444	\$ 921,874
Proceeds of Series B debenture issue .....		600,000
Principal payments received on mortgage .....		1,573
Proceeds from sale of fixed assets .....		18,924
Surplus realized on the purchase of preference shares for cancellation .....		3,001
Reduction of advances to associated company now consolidated .....		58,707

\$1,604,079

Working Capital was decreased by:

Additions to fixed assets .....	\$ 667,186	
Dividends paid .....	300,657	
Advances to Hamilton Automotive Trim Limited in the year, written off to earned surplus .....	205,483	
Current portion of debenture debt .....	84,500	
Purchase of preference shares for cancellation .....	25,000	
Federal refundable tax payments .....	22,933	
Investment in associated company .....	25,000	
Deferred patent expense .....	12,207	
Deficit of subsidiary acquired in year .....	11,006	
Expenses of Series B debenture issue .....	7,730	
Organization expense .....	629	1,362,331

Net Increase in Working Capital .....

\$ 241,748

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

November 30, 1966

#### 1. Principles of consolidation:

The accounts of International Tools (U.K.) Limited are included, as to current assets and current liabilities, at the rate of exchange on November 30, 1966; as to fixed assets and accumulated depreciation, at the average rate during the period of acquisition; as to earnings, at the average rate for the year.

In January, 1966 the company acquired all of the outstanding shares of Reflex Corporation of Canada Limited, the accounts of which, for the eleven month period ending November 30, 1966 are now included in the consolidated statements for the first time. The deficit in the company's accounts as at December 31, 1965 has been charged against consolidated surplus.

The accounts of Hamilton Automotive Trim Limited are not included in the consolidated financial statements and for purposes of comparison have also been eliminated from the comparative figures for 1965. This company experienced heavy operating losses as a result of a severe restriction in the market for its products, and as a consequence is in process of liquidation. I.T.L. Industries Limited has appointed a receiver to protect the collateral security for its advances, and a charge has been made to surplus to provide for the loss on the investment and advances. The operating loss of Hamilton Automotive Trim Limited for the year ended November 30, 1966 was \$157,019 and the total of the operating losses since control was acquired by I.T.L. Industries Limited was \$209,757. I.T.L. Industries Limited holds 75% of the issued capital stock of Hamilton Automotive Trim Limited.



2. Basis of inventory valuation:

Inventories are valued, as to materials and stores, at the lower of cost or replacement cost and as to labour and work being done by others at actual cost. A summary of the inventories is as follows:

Raw materials and stores.....	\$ 305,179
Work in process.....	867,759
Finished goods.....	37,597
	<u>\$1,210,535</u>

3. An analysis of fixed assets and accumulated depreciation is as follows:

	Fixed Assets	Accumulated Depreciation
At cost:		
Lands.....	\$ 79,223	\$ —
Buildings and parking areas.....	969,977	168,288
Machinery and equipment.....	1,596,164	409,801
Leasehold improvements.....	6,878	2,137
	<u>\$2,652,242</u>	<u>\$ 580,226</u>
At depreciated appraisal values:		
Machinery and equipment of International Tools, Limited at depreciated replacement values as determined by the Canadian Appraisal Company Limited as at October 31, 1963.....	1,243,195	249,892
Subsequent additions.....	—	108,572
	<u>\$3,895,437</u>	<u>\$ 938,690</u>

The excess of appraised value of fixed assets over cost by reason of the appraisal referred to above appears in the account of International Tools, Limited and forms a part of the consideration for the common shares issued by I.T.L. Industries Limited for the acquisition of the shares of International Tools, Limited.

4. Income Taxes:

Income taxes have been calculated on the basis of the intention to claim capital cost allowances which exceed depreciation provided in the accounts. As a result the total taxes otherwise payable for the period have been reduced by approximately \$187,400. The cumulative amount by which taxes otherwise payable have been reduced is \$403,600.

5. Bank loans and overdrafts:

Bank loans and overdrafts are secured by a general assignment of book debts.

6. Long term liabilities:

	1966	1965
6.20% Secured Sinking Fund Debentures, Series A, maturing June 15, 1984. Sinking fund payments of \$50,000 are required annually until maturity	\$ 900,000	\$ 950,000
6.50% Secured Sinking Fund Debentures, Series B, maturing December 15, 1985. Sinking fund payments of \$30,000 are required annually until maturity.....	600,000	—
7% mortgage due July 30, 1985. Payments totalling \$16,157 including principal and interest are required annually until maturity.....	168,942	173,278
	<u>\$1,668,942</u>	<u>\$1,123,278</u>

7. Preference Shares:

According to the terms of the Series A Preference Share issue commencing in 1966 the company is required to set aside on or before the first day of March in each year the sum of \$25,000 as a purchase fund for the purchase of such shares for cancellation. At November 30, 1966 1,000 shares had been purchased and were being held by the company's financial agent for cancellation.

8. Capital commitments:

Since the end of the fiscal year Reflex Corporation of Canada Limited has acquired a building in the Town of Amherstburg. The approximate cost of the building is \$250,000, but the cost, and the details of the mortgage, have not yet been finally determined.



## OFFICERS AND DIRECTORS

### Directors

C. A. Bell, Q.C.      J. S. Gairdner      J. H. Hawke      Peter Hedgewick  
F. N. Heuchan      R. W. Keeley, K.S.G., K.M.      Herbert Young

### Officers

*President* - - - - - Peter Hedgewick  
*Vice President (Sales)* - - - - - A. Hyatt  
*Vice President (Engineering)* - - - - - R. D. Balint  
*Vice President (Manufacturing)* - - - - - N. Lewchuk  
*Vice President (Finance) and Treasurer* - - - - R. W. Braithwaite  
*Secretary* - - - - - C. A. Bell, Q.C.

### Auditors

Stephens, McLean & Company - - - - - Windsor, Ontario

### Transfer Agent and Registrar

National Trust Company, Limited - - - - - Montreal, Toronto, Winnipeg, Vancouver

### THE I.T.L. GROUP OF COMPANIES

I.T.L. Industries Limited	P.O. Box 68, Sandwich Postal Station Windsor, Ontario
International Tools, Limited	P.O. Box 68, Sandwich Postal Station Windsor, Ontario
International Tools (U.K.) Limited	Factory No. 3, Lancaster Road High Wycombe, Buckinghamshire
Modelcraft Division of I.T.L. Industries Limited	P.O. Box 68, Sandwich Postal Station Windsor, Ontario
Reflex Corporation of Canada Limited	P.O. Box 1180 Amherstburg, Ontario



